



HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2003  
OF THE CONDITION AND AFFAIRS OF THE

Health Alliance Plan of Michigan

NAIC Group Code	1311 <small>(Current Period)</small>	1311 <small>(Prior Period)</small>	NAIC Company Code	95844	Employer's ID Number	38-2242827
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health [ ]		Property/Casualty [ ]		Dental Service Corporation [ ]	
	Vision Service Corporation [ ]		Other [ ]		Health Maintenance Organization [ ]	
	Hospital, Medical & Dental Service or Indemnity [ ]		Is HMO, Federally Qualified? Yes [ ] No [ ]			
Incorporated	06/27/1978		Commenced Business	02/08/1979		
Statutory Home Office	2850 West Grand Boulevard <small>(Street and Number)</small>			Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office	2850 West Grand Boulevard <small>(Street and Number)</small>			313-872-8100 <small>(Area Code) (Telephone Number)</small>		
	Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small>					
Mail Address	2850 West Grand Boulevard <small>(Street and Number or P.O. Box)</small>			Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small>		
Primary Location of Books and Records	2850 West Grand Boulevard <small>(Street and Number)</small>			248-443-1093 <small>(Area Code) (Telephone Number)</small>		
	Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small>					
Internet Website Address	www.hap.org					
Statutory Statement Contact	Dianna Ronan <small>(Name)</small>			248-443-1093 <small>(Area Code) (Telephone Number) (Extension)</small>		
	dronan@hap.org <small>(E-mail Address)</small>			248-443-8610 <small>(FAX Number)</small>		
Policyowner Relations Contact	2850 West Grand Boulevard <small>(Street and Number)</small>			313-872-8100 <small>(Area Code) (Telephone Number) (Extension)</small>		
	Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small>					

OFFICERS

President	Francine Parker #	Secretary	Maurice E. McMurray
Treasurer	Ronald W. Berry		

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

N. Charles Anderson	Sandra Baumchen	Donald W. Boggs #
Mary Beth Bolton, M.D.	Herman W. Coleman	Dennis H. DePaulis #
Mary C. Dickson	J. Timothy Gargaro #	Jethro Joseph
Cleve L. Killingsworth Jr.	Gregg Pane #	William L. Peirce
Carol Quigley IHM	Catherine A. Roberts #	Nancy Schlichting #
Gerald K. Smith #		

State of .....  
County of .....

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The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

\_\_\_\_\_  
President

\_\_\_\_\_  
Maurice E. McMurray  
Secretary

\_\_\_\_\_  
Ronald W. Berry  
Treasurer

Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 2004  
  
\_\_\_\_\_

a. Is this an original filing? Yes [    ] No [    ]  
b. If no,  
    1. State the amendment number \_\_\_\_\_  
    2. Date filed \_\_\_\_\_  
  
    3. Number of pages attached \_\_\_\_\_

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	4,912,197	4,912,197	.0	.45,665,106
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks .....	160,807,418		160,807,418	.84,692,525
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....	4,573,592	3,670,918	.902,674	.6,005,800
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			.0	.0
5. Cash (\$ ..... (4,927,460) , Schedule E, Part 1), cash equivalents (\$ .....128,848,010 , Schedule E, Part 2) and short -term investments (\$ .....19,935,486 , Schedule DA).....	143,856,036		143,856,036	151,728,496
6. Contract loans, (including \$ .....premium notes)			.0	.0
7. Other invested assets (Schedule BA) .....	.0	.0	.0	.0
8. Receivable for securities .....			.0	12,118,242
9. Aggregate write-ins for invested assets .....	355,041	.0	355,041	131,285
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	314,504,284	8,583,115	305,921,169	300,341,454
11. Investment income due and accrued .....	642,841		642,841	1,111,945
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection .....	17,407,641		17,407,641	18,629,408
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premium).....			.0	.0
12.3 Accrued retrospective premium.....			.0	.0
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers .....			.0	.0
13.2 Funds held by or deposited with reinsured companies .....			.0	.0
13.3 Other amounts receivable under reinsurance contracts .....			.0	.0
14. Amounts receivable relating to uninsured plans .....			.0	.0
15.1 Current federal and foreign income tax recoverable and interest thereon .....			.0	.0
15.2 Net deferred tax asset.....			.0	.0
16. Guaranty funds receivable or on deposit .....			.0	.0
17. Electronic data processing equipment and software.....	20,037,170	17,378,369	2,658,801	24,408,345
18. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	2,911,648	2,911,648	.0	3,555,128
19. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
20. Receivables from parent, subsidiaries and affiliates .....	666,358		666,358	4,001,670
21. Health care (\$ .....2,775,524 ) and other amounts receivable.....	2,775,524		2,775,524	.0
22. Other assets nonadmitted .....	908,565	908,565	.0	.0
23. Aggregate write-ins for other than invested assets .....	20,960,472	20,692,686	267,786	5,798
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	380,814,503	50,474,383	330,340,120	352,053,748
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	.0
26. Total (Lines 24 and 25)	380,814,503	50,474,383	330,340,120	352,053,748
DETAILS OF WRITE-INS				
0901. ....	355,041		355,041	131,285
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.0	.0	.0	.0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	355,041	0	355,041	131,285
2301. *.....	180,646		180,646	5,798
2302. Baumchen.....	20,692,686	20,692,686	.0	.0
2303. Sandra.....	87,140		87,140	.0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	.0	.0	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	20,960,472	20,692,686	267,786	5,798

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
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LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	78,977,897	858,412	79,836,309	86,058,930
2. Accrued medical incentive pool and bonus amounts	2,298,942		2,298,942	0
3. Unpaid claims adjustment expenses	1,499,226		1,499,226	0
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserves			0	
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	28,018,413		28,018,413	25,394,522
9. General expenses due or accrued	16,187,935		16,187,935	16,204,113
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses))			0	
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable			0	
12. Amounts withheld or retained for the account of others	723,872		723,872	0
13. Remittance and items not allocated			0	
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	592,809		592,809	3,389,665
16. Payable for securities	503,987		503,987	34,311,229
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans			0	0
21. Aggregate write-ins for other liabilities (including \$ ..... current)	7,858,887	0	7,858,887	6,380,980
22. Total liabilities (Lines 1 to 21)	136,661,967	858,412	137,520,379	171,739,439
23. Common capital stock	XXX	XXX		0
24. Preferred capital stock	XXX	XXX		0
25. Gross paid in and contributed surplus	XXX	XXX		0
26. Surplus notes	XXX	XXX		0
27. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
28. Unassigned funds (surplus)	XXX	XXX	192,819,741	180,314,310
29. Less treasury stock, at cost:				
29.1 ..... shares common (value included in Line 23 \$ ..... )	XXX	XXX		0
29.2 ..... shares preferred (value included in Line 24 \$ ..... )	XXX	XXX		0
30. Total capital and surplus (Lines 23 to 28 Less 29)	XXX	XXX	192,819,741	180,314,310
31. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	330,340,120	352,053,749
DETAILS OF WRITE-INS				
2101. Pension Liability - Long Term	6,831,317		6,831,317	5,808,359
2102. Retiree Health Benefits	940,431		940,431	572,621
2103. Deferred Compensation	87,140		87,140	0
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	7,858,887	0	7,858,887	6,380,980
2701. ....	XXX	XXX		0
2702. ....	XXX	XXX		0
2703. ....	XXX	XXX		0
2798. Summary of remaining write-ins for Line 27 from overflow page	XXX	XXX	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	XXX	XXX	0	0

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STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,667,942	5,929,370
2. Net premium income (including ..... non-health premium income).....	XXX	1,362,620,115	1,290,985,128
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	1,362,620,115	1,290,985,128
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		550,093,884	541,878,704
10. Other professional services .....			0
11. Outside referrals .....		22,093,465	20,076,386
12. Emergency room and out-of-area .....		103,973,399	94,828,885
13. Prescription drugs .....		228,021,359	217,108,339
14. Aggregate write-ins for other hospital and medical.....	0	320,672,875	295,592,740
15. Incentive pool, withhold adjustments and bonus amounts.....		3,414,608	0
16. Subtotal (Lines 9 to 15) .....	0	1,228,269,590	1,169,485,054
<b>Less:</b>			
17. Net reinsurance recoveries .....			0
18. Total hospital and medical (Lines 16 minus 17) .....	0	1,228,269,590	1,169,485,054
19. Non-health claims .....			
20. Claims adjustment expenses .....		13,422,973	11,299,019
21. General administrative expenses.....		99,198,596	95,865,819
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22) .....	0	1,340,891,159	1,276,649,892
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	21,728,956	14,335,236
25. Net investment income earned .....		6,332,569	11,136,706
26. Net realized capital gains or (losses) .....		2,647,846	1,200,041
27. Net investment gains or (losses) (Lines 25 plus 26) .....	0	8,980,415	12,336,747
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
29. Aggregate write-ins for other income or expenses .....	0	159,132	(2,239)
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	30,868,503	26,669,744
31. Federal and foreign income taxes incurred .....	XXX		0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	30,868,503	26,669,744
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		0
0602. ....	XXX		0
0603. ....	XXX		0
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	XXX	0	0
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above) .....	XXX	0	0
1401. Outpatient.....	0	214,158,378	183,535,184
1402. Radiology/Lab.....	0	35,998,936	31,894,400
1403. Ambulance.....	0	5,223,375	5,268,271
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	65,292,186	74,894,885
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above) .....	0	320,672,875	295,592,740
2901. Gain/(Loss) on the Sale of Assets.....		(23,382)	(17,526)
2902. Miscellaneous Revenue.....		182,514	15,287
2903. ....			0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above) .....	0	159,132	(2,239)

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
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CAPITAL AND SURPLUS ACCOUNT

	1 Current Year	2 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>		
33. Capital and surplus prior reporting period .....	180,314,309	177,832,237
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS:</b>		
34. Net income or (loss) from Line 32 .....	30,868,503	26,669,744
35. Change in valuation basis of aggregate policy and claim reserves .....		0
36. Net unrealized capital gains and losses .....	11,080,036	6,847,698
37. Change in net unrealized foreign exchange capital gain or (loss) .....		0
38. Change in net deferred income tax .....		0
39. Change in nonadmitted assets .....	(21,670,923)	5,950,036
40. Change in unauthorized reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles .....	(3,202,117)	0
44. Capital Changes:		
44.1 Paid in .....		0
44.2 Transferred from surplus (Stock Dividend) .....		0
44.3 Transferred to surplus .....		0
45. Surplus adjustments:		
45.1 Paid in .....	(1,766,793)	0
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....	1,766,793	0
46. Dividends to stockholders .....		(31,000,000)
47. Aggregate write-ins for gains or (losses) in surplus .....	(4,570,067)	(5,985,406)
48. Net change in capital & surplus (Lines 34 to 47) .....	12,505,432	2,482,072
49. Capital and surplus end of reporting period (Line 33 plus 48)	192,819,741	180,314,309
<b>DETAILS OF WRITE-INS</b>		
4701. Minimum Pension Liability Adjustment.....	1,579,933	(3,168,000)
4702. SelectCare Investment Valuation Change.....		(2,817,406)
4703. SelectCare Goodwill Adjustment.....	(6,150,000)	0
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	(4,570,067)	(5,985,406)

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
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CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	1,366,465,773	1,291,000,073
2. Net investment income .....	6,801,673	12,567,269
3. Miscellaneous income .....	(2,767,858)	718,323
4. Total (Lines 1 to 3) .....	1,370,499,588	1,304,285,665
5. Benefits and loss related payments .....	1,230,694,044	1,150,981,415
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		.0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	91,865,211	84,201,940
8. Dividends paid to policyholders .....		.0
9. Federal and foreign income taxes paid (recovered) \$ ..... net tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9) .....	1,322,559,255	1,235,183,355
11. Net cash from operations (Line 4 minus Line 10) .....	47,940,333	69,102,310
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	160,339,350	311,446,128
12.2 Stocks .....	170,549	112,707
12.3 Mortgage loans .....	.0	.0
12.4 Real estate .....	.0	.0
12.5 Other invested assets .....	.0	.0
12.6 Net gains or (losses) on cash and short-term investments .....	.0	.0
12.7 Miscellaneous proceeds .....	0	12,946,881
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	160,509,900	324,505,716
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	118,273,070	301,325,288
13.2 Stocks .....	63,921,827	4,310,039
13.3 Mortgage loans .....	.0	.0
13.4 Real estate .....	.0	.0
13.5 Other invested assets .....	.0	.0
13.6 Miscellaneous applications .....	21,950,579	15,751,523
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	204,145,477	321,386,850
14. Net increase (or decrease) in policy loans and premium notes .....	.0	.0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(43,635,577)	3,118,866
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	.0	.0
16.2 Capital and paid in surplus, less treasury stock.....	.0	.0
16.3 Borrowed funds received.....	.0	.0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	.0	.0
16.5 Dividends to stockholders .....	.0	31,000,000
16.6 Other cash provided (applied).....	(12,177,215)	(4,975,344)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) .....	(12,177,215)	(35,975,344)
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17) .....	(7,872,459)	36,245,832
19. Cash and short-term investments:		
19.1 Beginning of year .....	151,728,495	115,482,663
19.2 End of period (Line 18 plus Line 19.1).....	143,856,036	151,728,495

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income .....	1,362,620,115	1,082,637,738	82,948,757			66,369,145	130,664,475						
2. Change in unearned premium reserves and reserve for rate credit .....	0												
3. Fee-for-service (net of \$ medical expenses) .....	0												XXX
4. Risk revenue .....	0												XXX
5. Aggregate write-ins for other health care related revenues .....	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7. Total revenues (Lines 1 to 6) .....	1,362,620,115	1,082,637,738	82,948,757	0	0	66,369,145	130,664,475	0	0	0	0	0	0
8. Hospital/medical/ benefits .....	550,093,884	442,718,925	19,853,849			25,477,049	62,125,517	(81,456)					XXX
9. Other professional services .....	0												XXX
10. Outside referrals .....	22,093,465	17,807,560	792,473			1,016,924	2,479,759	(3,251)					XXX
11. Emergency room and out-of-area .....	103,973,399	83,803,628	3,729,432			4,785,718	11,669,922	(15,301)					XXX
12. Prescription Drugs .....	228,021,358	170,042,166	37,216,972			13,829,875	6,932,345						XXX
13. Aggregate write-ins for other hospital and medical .....	320,672,877	258,465,637	11,502,246	0	0	14,760,024	35,992,163	(47,193)	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts .....	3,414,608	3,414,608											XXX
15. Subtotal (Lines 8 to 14) .....	1,228,269,591	976,252,524	73,094,972	0	0	59,869,590	119,199,706	(147,201)	0	0	0	0	XXX
16. Net reinsurance recoveries .....	0												XXX
17. Total medical and hospital (Lines 15 minus 16) .....	1,228,269,591	976,252,524	73,094,972	0	0	59,869,590	119,199,706	(147,201)	0	0	0	0	XXX
18. Non-health claims (net) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses .....	13,422,973	10,668,037	799,612			654,276	1,302,657	(1,609)					
20. General administrative expenses .....	99,198,595	81,215,207	5,327,834	0		4,262,919	8,392,635						
21. Increase in reserves for accident and health contracts .....	0												XXX
22. Increase in reserves for life contracts .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22) .....	1,340,891,159	1,068,135,768	79,222,418	0	0	64,786,785	128,894,998	(148,810)	0	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23) .....	21,728,956	14,501,970	3,726,339	0	0	1,582,360	1,769,477	148,810	0	0	0	0	0
DETAILS OF WRITE-INS													
0501. ....													XXX
0502. ....													XXX
0503. ....													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Outpatient Hospital .....	214,158,377	172,613,854	7,681,667			9,857,344	24,037,029	(31,517)					XXX
1302. Mental Health/Substance Abuse .....	39,245,899	31,632,598	1,407,715			1,806,422	4,404,940	(5,776)					XXX
1303. Radiology/Lab .....	35,998,936	29,015,513	1,291,249			1,656,969	4,040,503	(5,298)					XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	31,269,665	25,203,672	1,121,615	0	0	1,439,289	3,509,691	(4,602)	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above) .....	320,672,877	258,465,637	11,502,246	0	0	14,760,024	35,992,163	(47,193)	0	0	0	0	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....	1,082,637,738			1,082,637,738
2. Medicare Supplement .....	82,948,757			82,948,757
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....	66,369,145			66,369,145
6. Title XVIII - Medicare .....	130,664,475			130,664,475
7. Title XIX - Medicaid.....				.0
8. Stop Loss .....				.0
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health.....				.0
12. Health subtotal (Lines 1 through 11) .....	1,362,620,115	.0	.0	1,362,620,115
13. Life .....				.0
14. Property/Casualty.....				.0
15. Totals (Lines 12 to 14)	1,362,620,115	0	0	1,362,620,115

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non- Health
1. Payments during the year:													
1.1 Direct .....	1,227,662,217	977,782,127	72,856,606			60,104,417	117,138,367	(219,300)					
1.2 Reinsurance assumed .....	0												
1.3 Reinsurance ceded .....	0												
1.4 Net .....	1,227,662,217	977,782,127	72,856,606	0	0	60,104,417	117,138,367	(219,300)	0	0	0	0	0
2. Paid medical incentive pools and bonuses .....	3,031,827	3,031,827											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct .....	81,335,535	73,174,220	4,406,211	0	0	4,036,107	(320,911)	39,908	0	0	0	0	0
3.3 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	81,335,535	73,174,220	4,406,211	0	0	4,036,107	(320,911)	39,908	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct .....	0												
4.2 Reinsurance assumed .....	0												
4.3 Reinsurance ceded .....	0												
4.4 Net .....	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year .....	2,298,942	2,298,942											
6. Amounts recoverable from reinsurers December 31, current year .....	0												
7. Claim liability December 31, prior year from Part 2A:													
7.1 Direct .....	84,142,769	78,118,431	4,167,845	0	0	4,270,934	(2,382,250)	(32,191)					
7.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0					
7.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0					
7.4 Net .....	84,142,769	78,118,431	4,167,845	0	0	4,270,934	(2,382,250)	(32,191)	0	0	0	0	0
8. Claim reserve December 31, prior year from Part 2D:													
8.1 Direct .....	0	0	0	0	0	0	0	0					
8.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0					
8.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0					
8.4 Net .....	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year .....	1,916,161	1,916,161	0	0	0	0	0	0					
10. Amounts recoverable from reinsurers December 31, prior year .....	0	0	0	0	0	0	0	0					
11. Incurred Benefits:													
11.1 Direct .....	1,224,854,983	972,837,916	73,094,972	0	0	59,869,590	119,199,706	(147,201)	0	0	0	0	0
11.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
11.4 Net .....	1,224,854,983	972,837,916	73,094,972	0	0	59,869,590	119,199,706	(147,201)	0	0	0	0	0
12. Incurred medical incentive pools and bonuses .....	3,414,608	3,414,608	0	0	0	0	0	0	0	0	0	0	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct .....	11,096,295	9,838,198	760,503			495,338	2,256						
1.2. Reinsurance assumed .....	0												
1.3. Reinsurance ceded .....	0												
1.4. Net .....	11,096,295	9,838,198	760,503	0	0	495,338	2,256	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct .....	52,069,551	46,165,913	3,568,670			2,324,384	10,584						
2.2. Reinsurance assumed .....	0												
2.3. Reinsurance ceded .....	0												
2.4. Net .....	52,069,551	46,165,913	3,568,670	0	0	2,324,384	10,584	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1. Direct .....	18,169,689	17,170,109	77,038			1,216,385	(333,751)	39,908					
3.2. Reinsurance assumed .....	0												
3.3. Reinsurance ceded .....	0												
3.4. Net .....	18,169,689	17,170,109	77,038	0	0	1,216,385	(333,751)	39,908	0	0	0	0	0
4. TOTALS:													
4.1. Direct .....	81,335,535	73,174,220	4,406,211	0	0	4,036,107	(320,911)	39,908	0	0	0	0	0
4.2. Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net .....	81,335,535	73,174,220	4,406,211	0	0	4,036,107	(320,911)	39,908	0	0	0	0	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....	59,287,186	918,494,941	6,137,996	67,036,224	65,425,182	80,034,591
2. Medicare Supplement .....	3,434,498	69,422,108	302,986	4,103,225	3,737,484	4,167,845
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums .....	3,170,681	56,933,736	302,725	3,733,382	3,473,406	4,270,934
6. Title XVIII - Medicare .....	(2,438,111)	119,576,478	(510,687)	189,776	(2,948,798)	(2,382,250)
7. Title XIX - Medicaid.....	(219,300)		39,908		(179,392)	(32,191)
8. Other health .....					0	0
9. Health subtotal (Lines 1 to 8).....	63,234,954	1,164,427,263	6,272,928	75,062,607	69,507,882	86,058,929
10. Other non-health.....					0	
11. Medical incentive pools, and bonus amounts .....	1,687,700	1,344,127		2,298,942	1,687,700	0
12. Totals (Lines 9 to 11)	64,922,654	1,165,771,390	6,272,928	77,361,549	71,195,582	86,058,929

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)

## Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....					
2. 1999 .....			1,480	0	
3. 2000 .....	XXX		50,863	51,944	
4. 2001 .....	XXX	XXX	687,139	732,883	733,503
5. 2002 .....	XXX	XXX	XXX	849,013	909,240
6. 2003 .....	XXX	XXX	XXX	XXX	919,893

## Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....					
2. 1999.....			1,547		
3. 2000.....	XXX		51,944	52,021	
4. 2001.....	XXX	XXX	741,734	737,184	733,957
5. 2002.....	XXX	XXX	XXX	924,668	914,925
6. 2003.....	XXX	XXX	XXX	XXX	986,929

### Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

[illegible]

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)

## **Section A – Paid Health Claims - Medicare Supplement**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....					
2. 1999 .....			54		
3. 2000 .....	XXX		1,839	1,887	
4. 2001 .....	XXX	XXX	43,919	45,952	45,987
5. 2002 .....	XXX	XXX	XXX	59,723	63,123
6. 2003 .....	XXX	XXX	XXX	XXX	69,496

## Section B - Incurred Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....					
2. 1999.....			59		
3. 2000.....	XXX		1,987	1,894	
4. 2001.....	XXX	XXX	46,442	46,288	46,012
5. 2002.....	XXX	XXX	XXX	63,548	63,400
6. 2003.....	XXX	XXX	XXX	XXX	73,599

### Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare Supplement

[illegible]

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)

## **Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....					
2. 1999 .....			.74		
3. 2000 .....	XXX		2,551	2,618	
4. 2001 .....	XXX	XXX	37,752	40,572	40,604
5. 2002 .....	XXX	XXX	XXX	54,234	57,366
6. 2003 .....	XXX	XXX	XXX	XXX	56,940

## Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....					
2. 1999.....			.78		
3. 2000.....	XXX		2,608	2,623	
4. 2001.....	XXX	XXX	40,312	40,878	40,628
5. 2002.....	XXX	XXX	XXX	58,194	57,645
6. 2003.....	XXX	XXX	XXX	XXX	60,674

## Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

[illegible]

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
**(000 Omitted)**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 1999	2 2000	3 2001	4 2002	5 2003
1.	Prior .....					
2.	1999 .....			.324		
3.	2000 .....	XXX		11,149	11,304	
4.	2001 .....	XXX	XXX	204,897	211,423	211,399
5.	2002 .....	XXX	XXX	XXX	129,850	127,437
6.	2003 .....	XXX	XXX	XXX	XXX	119,576

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....					
2. 1999 .....			.337		
3. 2000 .....	XXX		11,317	11,329	
4. 2001 .....	XXX	XXX	211,537	212,635	211,376
5. 2002 .....	XXX	XXX	XXX	126,232	126,949
6. 2003 .....	XXX	XXX	XXX	XXX	119,766

[illegible]

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
**(000 Omitted)**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999			(18)		
3. 2000	XXX		(606)	(613)	
4. 2001	XXX	XXX		(304)	(307)
5. 2002	XXX	XXX	XXX	(1)	(218)
6. 2003	XXX	XXX	XXX	XXX	0

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....					
2. 1999 .....			(18)		
3. 2000 .....	XXX		(598)	(613)	
4. 2001 .....	XXX	XXX	(312)	(300)	(307)
5. 2002 .....	XXX	XXX	XXX	(38)	(178)
6. 2003 .....	XXX	XXX	XXX	XXX	

[illegible]

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
**(000 Omitted)**

## Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....	.0	.0	.0	.0	.0
2. 1999 .....	.0	.0	1,914	.0	.0
3. 2000 .....	XXX	.0	65,796	67,140	.0
4. 2001 .....	XXX	XXX	973,707	1,030,526	1,031,186
5. 2002 .....	XXX	XXX	XXX	1,092,819	1,156,948
6. 2003 .....	XXX	XXX	XXX	XXX	1,165,905

## Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior .....	.0	.0	.0	.0	.0
2. 1999 .....	.0	.0	2,003	.0	.0
3. 2000 .....	XXX	.0	.67,258	.67,254	.0
4. 2001 .....	XXX	XXX	1,039,713	1,036,685	1,031,666
5. 2002 .....	XXX	XXX	XXX	1,172,604	1,162,741
6. 2003 .....	XXX	XXX	XXX	XXX	1,240,968

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total**

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves .....												
2. Additional policy reserves (a) .....												
3. Reserve for future contingent benefits .....												
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income) .....												
5. Aggregate write-ins for other policy reserves .....												
6. Totals (Gross) .....												
7. Reinsurance ceded .....												
8. Totals (Net) (Page 3, Line 4)												
CLAIM RESERVE												
9. Present value of amounts not yet due on claims .....												
10. Reserve for future contingent benefits .....												
11. Aggregate write-ins for other claim reserves .....												
12. Totals (Gross) .....												
13. Reinsurance ceded .....												
14. Totals (Net) (Page 3, Line 7)												
DETAILS OF WRITE-INS												
0501. ....												
0502. ....												
0503. ....												
0598. Summary of remaining write-ins for Line 5 from overflow page .....												
0599. TOTALS (Lines 0501 thru 0503 plus 0598) (Line 5 above)												
1101. ....												
1102. ....												
1103. ....												
1198. Summary of remaining write-ins for Line 11 from overflow page .....												
1199. TOTALS (Lines 1101 thru 1103 plus 1198) (Line 11 above)												

(a) Includes \$ ..... premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administration Expenses	3 Investment Expenses	4 Total
1. Rent (\$ ..... for occupancy of own building).....	293,898	1,898,303		2,192,201
2. Salaries, wages and other benefits.....	5,649,791	46,684,088		52,333,879
3. Commissions (less \$ ..... ceded plus \$ ..... assumed).....		7,456,123		7,456,123
4. Legal fees and expenses.....		488,567		488,567
5. Certifications and accreditation fees.....				0
6. Auditing, actuarial and other consulting services.....		4,392,449		4,392,449
7. Traveling expenses.....	6,011	543,960		549,971
8. Marketing and advertising.....	1,685	7,793,057		7,794,742
9. Postage, express and telephone.....	9,337	3,694,863		3,704,200
10. Printing and office supplies.....	17,906	609,690		627,596
11. Occupancy, depreciation and amortization.....	226,826	5,626,847		5,853,673
12. Equipment.....	90	238,788		238,878
13. Cost or depreciation of EDP equipment and software.....	4,225,388	10,715,723		14,941,111
14. Outsourced services including EDP, claims, and other services.....	615,638	4,857,412		5,473,050
15. Boards, bureaus and association fees.....	530	997,785		998,315
16. Insurance, except on real estate.....		593,496		593,496
17. Collection and bank service charges.....		244,989		244,989
18. Group service and administration fees.....				0
19. Reimbursements by uninsured accident and health plans.....				0
20. Reimbursements from fiscal intermediaries.....				0
21. Real estate expenses.....		26,791		26,791
22. Real estate taxes.....		28,677		28,677
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes.....				0
23.2 State premium taxes.....		2,039		2,039
23.3 Regulatory authority licenses and fees.....				0
23.4 Payroll taxes.....		2,863,934		2,863,934
23.5 Other (excluding federal income and real estate taxes).....				0
24. Investment expenses not included elsewhere.....				0
25. Aggregate write-ins for expenses.....	2,375,873	(558,985)	0	1,816,888
26. Total expenses incurred (Lines 1 to 25).....	13,422,973	99,198,596	0	(a) 112,621,569
27. Less expenses unpaid December 31, current year.....	0	16,187,935		16,187,935
28. Add expenses unpaid December 31, prior year.....		16,204,113		16,204,113
29. Amounts receivable related to uninsured accident and health plans, prior year.....				0
30. Amounts receivable related to uninsured accident and health plans, current year.....				0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	13,422,973	99,214,774	0	112,637,747
DETAIL OF WRITE-INS				
2501. Miscellaneous.....	2,375,873	(558,985)		1,816,888
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	2,375,873	(558,985)	0	1,816,888

(a) Includes management fees of \$ .....592,822 to affiliates and \$ .....to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a) .....118,079	.....75,869
1.1	Bonds exempt from U.S. tax .....	(a) .....	.....
1.2	Other bonds (unaffiliated) .....	(a) .....934,221	.....723,171
1.3	Bonds of affiliates .....	(a) .....	.....
2.1	Preferred stocks (unaffiliated) .....	(b) .....	.....
2.11	Preferred stocks of affiliates .....	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....4,331,200	.....4,068,964
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c) .....	.....
4.	Real estate .....	(d) .....	.....
5.	Contract loans .....	.....	.....
6.	Cash/short-term investments .....	(e) .....1,639,110	.....1,689,886
7.	Derivative instruments .....	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....14,818	.....9,724
10.	Total gross investment income .....	7,037,428	6,567,614
11.	Investment expenses .....		(g) .....
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g) .....
13.	Interest expense .....		(h) .....235,045
14.	Depreciation on real estate and other invested assets .....		(i) .....
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total (Lines 11 through 15) .....		.....235,045
17.	Net Investment Income - (Line 10 minus Line 16) .....		6,332,569
DETAILS OF WRITE-INS			
0901.	Miscellaneous .....	.....14,818	.....9,724
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	14,818	9,724
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		0

(a) Includes \$ .....accrual of discount less \$ .....amortization of premium and less \$ .....paid for accrued interest on purchases.  
(b) Includes \$ .....accrual of discount less \$ .....amortization of premium and less \$ .....paid for accrued dividends on purchases.  
(c) Includes \$ .....accrual of discount less \$ .....amortization of premium and less \$ .....paid for accrued interest on purchases.  
(d) Includes \$ .....for company's occupancy of its own buildings; and excludes \$ .....interest on encumbrances.  
(e) Includes \$ .....accrual of discount less \$ .....amortization of premium and less \$ .....paid for accrued interest on purchases.  
(f) Includes \$ .....accrual of discount less \$ .....amortization of premium.  
(g) Includes \$ .....investment expenses and \$ .....investment taxes, licenses and fees, excluding federal income taxes, attributable to  
segregated and Separate Accounts.  
(h) Includes \$ .....interest on surplus notes and \$ .....interest on capital notes.  
(i) Includes \$ .....depreciation on real estate and \$ .....depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	Total
1.	U.S. Government bonds .....	.....1,010,163	.....	.....(370,208)	.....	.....639,955
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	.....	.....0
1.2	Other bonds (unaffiliated) .....	.....1,576,220	.....(6,106)	.....(896,700)	.....	.....673,414
1.3	Bonds of affiliates .....	.....0	.....0	.....	.....	.....0
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	.....	.....0
2.11	Preferred stocks of affiliates .....	.....	.....	.....	.....	.....0
2.2	Common stocks (unaffiliated) .....	.....2,964	.....0	.....(665,028)	.....	.....(662,064)
2.21	Common stocks of affiliates .....	.....	.....	.....13,025,681	.....	.....13,025,681
3.	Mortgage loans .....	.....	.....	.....	.....	.....0
4.	Real estate .....	.....	.....	.....	.....	.....0
5.	Contract loans .....	.....	.....	.....	.....	.....0
6.	Cash/Short-term investments .....	.....	.....	.....	.....	.....0
7.	Derivative instruments .....	.....	.....	.....	.....	.....0
8.	Other invested assets .....	.....	.....	.....	.....	.....0
9.	Aggregate write-ins for capital gains (losses) .....	.....59,809	.....4,796	.....(13,709)	.....0	.....50,896
10.	Total capital gains (losses) .....	2,649,156	(1,310)	11,080,036	0	13,727,882
DETAILS OF WRITE-INS						
0901.	Miscellaneous .....	.....59,809	.....4,796	.....(13,709)	.....	.....50,896
0902.	.....	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	59,809	4,796	(13,709)	0	50,896

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
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EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED  
ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of Items Page 2, Lines 12 to 20, Column 2 .....	20,290,017	0	(20,290,017)
2. Other Non-Admitted Assets:			
2.1 Bills receivable.....		0	0
2.2 Leasehold improvements.....		0	0
2.3 Cash advanced to or in hands of officers and agents.....		0	0
2.4 Loans on personal security, endorsed or not.....		0	0
2.5 Commuted commissions.....		0	0
3. Total (Lines 2.1 to 2.5) .....	0	0	0
4. Aggregate write-ins for other assets.....	30,184,365	28,803,459	(1,380,906)
5. Total (Line 1 plus Lines 3 and Line 4)	50,474,382	28,803,459	(21,670,923)
0401. Prepaid Expenses.....	194,637	219,217	24,580
0402. Goodwill.....	20,692,686	28,584,242	7,891,556
0403. Intangible Assets.....	713,928	0	(713,928)
0498. Summary of remaining write-ins for Line 4 from overflow page .....	8,583,114	0	(8,583,114)
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	30,184,365	28,803,459	(1,380,906)

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	485,154	474,474	472,265	469,492	471,150	5,667,942
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	485,154	474,474	472,265	469,492	471,150	5,667,942
DETAILS OF WRITE-INS						
0601. ....	.0					
0602. ....	.0					
0603. ....	.0					
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

## **NOTES TO FINANCIAL STATEMENTS**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Accounting Practices - The accompanying financial statements of Health Alliance Plan of Michigan(the Corporation) have been prepared in accordance with the *NAIC Accounting Practices and Procedures Manual(NAPPM)* and the NAIC Annual Statement Instructions (NASI) to the extent that the accounting practices, procedures and reporting standards are not modified by the Michigan Insurance Code or the Forms and Instructions for Required Filings in Michigan. The Office of Financial and Insurance Services of the State of Michigan has adopted Codification as of January 1, 2003 with modifications. The Forms and Instructions for Required Filings in Michigan deviate from the *NAPPM* as it relates to SSAPs 16 – Electronic Data Processing Equipment and Software, 19 – Furniture and Equipment, and 84 – Certain Health Care Receivables and Receivables Under Government Insured Plans. The Commissioner is providing a transition period (a prescribed practice) for these statutory accounting principles through 2005 for SSAPs 16 and 19 and until January 1, 2004 for SSAP 84, however Health Alliance Plan has elected to fully adopt and apply these SSAPs during 2003.
- B. Use of Estimates in the Preparation of the Financial Statements - The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the statutory financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.
- C. Accounting Policy - Subscriptions revenue received in advance of the respective period of coverage are credited to income ratably over the period of coverage. Health policy claims consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the balance sheet date and estimates, based on historical claims experience, for claims incurred but not reported.
- (1) Short-term investments are stated either at market value or at amortized cost based on the underlying security.
  - (2) Bonds are recorded at amortized cost, which approximates market value.
  - (3) Common Stocks are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Corporation has an interest of 20% or more are carried on the equity basis.
  - (4) The Corporation owns no preferred stocks.
  - (5) The Corporation owns no mortgage loans.
  - (6) The Corporation owns no loan-backed securities.
  - (7) The Corporation's subsidiaries are included in the statement of admitted assets, liabilities, and net worth - statutory basis using the equity method of accounting. The related income or loss is reported as a direct charge to net worth.
  - (8) The Corporation has no investments in joint ventures, partnerships and limited liability companies.
  - (9) The Corporation does not hold any derivative financial instruments.
  - (10) The Corporation's method of estimating liabilities for unpaid medical claims are based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

### **2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS**

- A. Material changes in accounting principles and/or correction of errors - The Corporation has none to report.
- B. The cumulative effect of changes in accounting principles as a result of the implementation of Codification by the Corporation in 2003 is reported as an adjustment to surplus in the period of the change in accounting principle. As a result of these changes, the Corporation reported a change in accounting principle as an adjustment that decreased surplus by \$3,202,117 as of January 1, 2003. Included in this total adjustment is a reduction in surplus of \$1,372,799 related to a capitalized building lease and a reduction in surplus of \$1,829,318 related to a change in useful life for EDP equipment from 5 to 3 years.

**ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan**

## **NOTES TO FINANCIAL STATEMENTS**

### **3. BUSINESS COMBINATIONS AND GOODWILL**

#### **A. Statutory Purchase Method**

- (1) In March 2001, the Corporation and an unrelated entity acquired SelectCare, Inc. under a joint Purchase Agreement.

Under the terms of the Purchase Agreement, the Corporation purchased the health maintenance organization operations of Selectcare, Inc. for an initial purchase price of \$37,627,000.

- (2) As a result of this transaction, which has been accounted for as a purchase, the Corporation has recorded goodwill of \$27,662,546 and \$32,042,000 in 2003 and 2002, respectively.
- (3) The goodwill amortization recorded in 2003 was \$3,512,000.

### **4. DISCONTINUED OPERATIONS**

The Corporation has no discontinued operations to report.

### **5. INVESTMENTS**

- A. The Corporation has no investments in mortgage loans.
- B. The Corporation has no debt restructurings.
- C. The Corporation has no reverse mortgages.
- D. The Corporation has no loan-backed securities.
- E. The Corporation has no repurchase agreements.
- F. The Corporation has no real estate investments.

### **6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES**

- A. The Corporation has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

### **7. INVESTMENT INCOME**

The Corporation had no excluded investment income.

### **8. DERIVATIVE INSTRUMENTS**

The Corporation does not hold any derivative instruments.

### **9. INCOME TAXES**

- A-F. The Corporation is an entity described under Internal Revenue Code Section 501(c)(3) and as such is exempt from federal income taxes.

### **10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES**

- A. The Corporation has two wholly owned subsidiaries, Preferred Health Plan, Inc.(PHP) and Alliance Health and Life Insurance Company(AHLIC) and owns a majority interest in SelectCare, Inc. The Corporation is a subsidiary of Henry Ford Health System(HFHS).
- B-C. The Corporation received subscription revenue from related parties totaling approximately \$71,800,000 and \$70,300,000 in 2003 and 2002, respectively. The Corporation purchased healthcare services from related parties totaling approximately \$680,200,000 and \$665,100,000 in 2003 and 2002, respectively.
- D. The Corporation has included in the balance sheet accounts the receivables and payables associated with subscription revenue received from related parties and health care services purchased from related parties. The Corporation has intercompany receivables of \$264,372 and \$401,986 for PHP and AHLIC, respectively and, intercompany payables of \$101,484 and \$297,885 for PHP and AHLIC, respectively. The terms of the settlement require that these amounts be settled within 15 days.
- E. The Corporation is a member of the Henry Ford Health System Obligated Group(the Obligated

NOTES TO FINANCIAL STATEMENTS

Group). As of December 31, 2003, members of the Obligated Group are jointly and severally liable for outstanding obligations having a carrying value of \$389,242,000 issued under the master indenture. The Obligated Group has guaranteed \$33,437,500 in indebtedness of other entities. Such amounts approximate the fair value of the obligations.

- F. The Corporation has management agreements with PHP and AHLIC. Under the terms of the agreement, the Corporation provides various administrative support and services. Services provided by the Corporation to PHP totaled \$3,181,000 and \$4,563,000 2003 and 2002, respectively. Services provided by the Corporation to AHLIC totaled \$4,186,000 and \$3,167,000 in 2003 and 2002, respectively.

11 . DEBT

The Corporation has no capital notes or debt.

12 . RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

- A. The Corporation has a noncontributory defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and final average earnings. The Corporation's funding policy is to fund an amount based on the recommendation of consulting actuaries that is in compliance with the requirements of the Employee Retirement Security Act of 1974. The Corporation also has a non-qualified Supplemental Executive Retirement Plan covering certain key executives.

A summary of the changes in benefit obligations for the plans is as follows (dollars in thousands):

	2003	2002
Benefit obligation at beginning of year	\$32,868	\$26,372
Other		(90)
Service cost	3,373	2,929
Interest cost	2,206	1,915
Amendments	721	159
Actuarial gain	2,765	3,266
Benefits paid	(1,189)	(1,683)
Benefit obligation at end of year	\$40,744	\$32,868

The following table sets forth the change in plan assets and the funded status at December 31 for the plan (dollars in thousands):

	2003	2002
Fair value of plan assets at beginning of year	\$16,576	\$20,795
Other	(131)	0
Actual return on assets	2,142	(2,667)
Employer contribution	3,759	131
Benefits paid	(1,189)	(1,683)
Fair value of plan assets at end of year	\$21,157	\$16,576
Funded status	\$(19,587)	\$(16,423)
Other	0	(172)
Unrecognized prior service cost	1,277	744
Unrecognized deferred (gain)loss	14,078	12,715
Additional minimum pension liability	(3,070)	(3,168)
Prepaid(Accrued) benefit cost	\$(7,302)	\$(6,304)

A summary of the components of net periodic benefit cost are as follows(dollars in thousands):

	2003	2002
Service cost	\$3,373	\$2,878
Interest cost	2,194	1,874
Expected return on assets	(1,457)	(1,785)

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NOTES TO FINANCIAL STATEMENTS

Net amortization and deferral	<u>734</u>	<u>205</u>
Net periodic benefit cost	<u>\$4,844</u>	<u>\$3,172</u>

The assumptions used in the accounting for the plan were:

	<u>2003</u>	<u>2002</u>
Discount rate	6.25%	6.75%
Expected rate of return	9.0%	9.0%
Rate of increase in salary levels	4.0%	4.0%

A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. At December 31, 2003, the additional minimum liability was reduced to \$3,070,000 from \$3,168,000 at December 31, 2002.

- B. The Corporation does not provide a defined contribution plan.
- C. The Corporation provides postretirement healthcare benefits to employees who meet minimum age and years of service requirements. Benefits to employees may require employee contributions or be provided in the form of fixed dollar subsidy.

A summary of the changes in the accumulated postretirement benefit obligation is as follows (dollars in thousands):

	<u>2003</u>	<u>2002</u>
Accumulated postretirement benefit obligation at beginning of year	\$573	\$559
Service cost	71	66
Interest cost	63	57
Other	316	0
Actuarial gain	0	(32)
Benefits paid	<u>(83)</u>	<u>(77)</u>
Accumulated postretirement benefit obligation at end of year	<u>\$940</u>	<u>\$573</u>

The components of the net periodic postretirement benefit cost and the reconciliation of the unfunded status as of December 31 are as follows (dollars in thousands):

	<u>2003</u>	<u>2002</u>
Service cost	\$71	66
Interest cost	63	57
Other	316	0
Net amortization and deferral	<u>0</u>	<u>(32)</u>
Net periodic postretirement benefit cost	<u>\$450</u>	<u>\$91</u>
Unfunded status	\$(940)	\$(573)
Unrecognized prior service cost	(449)	(496)
Unrecognized net gain	<u>449</u>	<u>496</u>
Accrued postretirement benefit cost	<u>\$(940)</u>	<u>\$(573)</u>

Significant assumptions used in valuing the obligations at December 31, 2003 and 2002 include:

	<u>2003</u>	<u>2002</u>
Medical inflation rate	7.08% scaled to 5.0% over 4 years	7.5% scaled to 5% over five years
Pharmaceutical inflation rate	9.6% scaled to 5.0% over 4 years	10.8% scaled to 5% over five years

NOTES TO FINANCIAL STATEMENTS

The discount rate used in valuing the obligations at December 31, 2003 and 2002 was 7.50% for both years.

A 1% increase in the assumed rate of inflation would increase the accumulated postretirement benefit obligation by 1.9% and increase the net periodic cost by .9%. A 1% decrease in the assumed rate of inflation would decrease the accumulated postretirement benefit obligation by 1.8% and decrease the net periodic cost by .8%.

13 . CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

- A. The Corporation has no common stock.
- B. The Corporation has no preferred stock.
- C. The Corporation has no restrictions on unassigned funds (surplus).
- D. The Corporation holds 1,500,000 shares of AHLIC stock with a par value of \$1,500,000.
- E. The Corporation has no surplus notes outstanding.
- F. The Corporation has no quasi-reorganization to report.

14 . CONTINGENCIES

- A. The Corporation is party to lawsuits incident to the operations. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

15 . LEASES

- A. The Corporation has a capital lease agreement for its headquarters building. Net book value of the building at December 31, 2003 was \$2,815,000. The capital lease obligation requires payments in future years as follows (dollars in thousands):

2004	\$60
2005	60
2006	60
2007	60
2008	60
Later years	945
Total minimum lease payments	1,245
Less interest at an average annual interest rate of 8.25%	651
Present value of obligations under capitalized lease, Including \$11 due within one year	\$594

- B. The Corporation has a capital lease on 8 Xerox printers with a net book value of \$172,500 at December 31, 2003. The capital lease obligation requires payments in future years as follows (dollars in thousands):

2004	\$41
2005	41
2006	41
2007	41
2008	27
Total minimum lease payments	191
Less interest at an average annual interest rate of 3.92%	17
Present value of obligations under capitalized lease, Including \$35 due within one year	\$174

- C. The Corporation has operating leases for office facilities and equipment. These leases, in some instances, are renewable at the option of the Corporation.

The following is a schedule of future minimum rental payments required under operating

NOTES TO FINANCIAL STATEMENTS

leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2003 (dollars in thousands):

2004	\$1,394
2005	552
2006	455
2007	353
2008	68
Later years	<u>0</u>
Total minimum payments required	<u>\$2,822</u>

The total rental expense for all operating leases, except those with terms of a month or less amounted to \$1,271,000 and \$1,168,000 for the years ended December 31, 2003 and 2002, respectively. A portion of the annual rent expense is allocated to an affiliated subsidiary each year.

16 . INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK  
AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

A. The Corporation does not hold any financial instruments with off-balance sheet risk.

17 . SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS  
OF LIABILITIES

A-B. The Corporation has not transferred any receivables or financial assets.

C. The Corporation does not have any wash sales.

18 . GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND  
THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

The Corporation has no gains or losses from uninsured accident and health plans.

19 . DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/  
THIRD PARTY ADMINISTRATORS

The Corporation does not have any managing general agents or third party administrators.

20 . OTHER ITEMS

A-D. The Corporation has no extraordinary items, troubled debt restructuring and other disclosures to report.

21 . EVENTS SUBSEQUENT

The Corporation does not have any to report.

22 . REINSURANCE

Not applicable.

23 . RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO  
REDETERMINATION

Not applicable.

24 . CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The Corporation has not made a change in the provision for incurred claims and claim adjustment expenses attributable to insured events of prior years.

25 . INTERCOMPANY POOLING ARRANGEMENTS

Not applicable.

26 . STRUCTURED SETTLEMENTS

NOTES TO FINANCIAL STATEMENTS

Not applicable.

27 . HEALTH CARE RECEIVABLES

A. Pharmaceutical Rebate Receivables (dollars in thousands)

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 days after Billing
12/31/2003	942	1,156			
9/30/2003	943	1,154	975		
6/30/2003	953	1,076	971	17	
3/31/2003	961	915	759	185	116

B. Risk Sharing Receivables (dollars in thousands)

Calendar Year	Evaluation Period Year Ending	Risk Sharing Rec'ble as Estimated in Prior Year	Risk Sharing Rec'ble as Estimated in Curr Year	Risk Sharing Rec'ble Billed	Risk Sharing Rec'ble Not yet Billed	Actual Risk Sharing Amount Rec'd in Year Billed	Actual Risk Sharing Amounts Rec'd 1 <sup>st</sup> year Sub-sequent	Actual Risk Sharing Amounts Rec'd 2 <sup>nd</sup> year Sub-sequent	Actual Risk Sharing Amounts Rec'd - All Other
2003	2003	0	0						
	2004		1,164						

28 . PARTICIPATING POLICIES

Not applicable.

29 . PREMIUM DEFICIENCY RESERVES

Not applicable.

30 . ANTICIPATED SALVAGE AND SUBROGATION

Not applicable.

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities .....		0.000		0.000
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....		0.000		0.000
1.22 Issued by U.S. government sponsored agencies .....		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....		0.000		0.000
1.43 Revenue and assessment obligations .....		0.000		0.000
1.44 Industrial development and similar obligations .....		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA .....		0.000		0.000
1.512 Issued by FNMA and FHLMC .....		0.000		0.000
1.513 Privately issued .....		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....		0.000		0.000
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....		0.000		0.000
1.523 All other privately issued .....		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	4,912,197	1.562		0.000
2.2 Unaffiliated foreign securities .....		0.000		0.000
2.3 Affiliated securities .....		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds .....	130,400,171	41.462	130,400,171	42.625
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated .....	30,407,247	9.668	30,407,247	9.940
3.42 Unaffiliated .....	0	0.000	0	0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....		0.000		0.000
3.52 Unaffiliated .....		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development .....		0.000		0.000
4.2 Agricultural .....		0.000		0.000
4.3 Single family residential properties .....		0.000		0.000
4.4 Multifamily residential properties .....		0.000		0.000
4.5 Commercial loans .....		0.000		0.000
4.6 Mezzanine real estate loans .....		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company .....	4,573,591	1.454	902,674	0.295
5.2 Property held for the production of income (includes \$ ..... of property acquired in satisfaction of debt) .....		0.000	0	0.000
5.3 Property held for sale (\$ ..... including property acquired in satisfaction of debt) .....		0.000	0	0.000
6. Policy loans .....		0.000		0.000
7. Receivables for securities .....		0.000	0	0.000
8. Cash and short-term investments .....	143,856,036	45.741	143,856,036	47.024
9. Other invested assets .....	355,041	0.113	355,041	0.116
10. Total invested assets	314,504,283	100.000	305,921,169	100.000

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [ X ] No [ ]
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [ X ] No [ ] NA [ ]
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [ ] No [ X ]
- 2.2

If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2002
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/1998
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/22/1999
- 3.4

By what department or departments? The Michigan Office of Financial and Insurance Services
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [ ] No [ X ]

4.12 renewals?

Yes [ ] No [ X ]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [ ] No [ X ]

4.22 renewals?

Yes [ ] No [ X ]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [ ] No [ X ]
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes [ ] No [ X ]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [ ] No [ X ]
- 7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES  
(continued)

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]  
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes [ ] No [ X ]  
8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte and Touche LLP, Suite 900, 600 Renaissance Center, Detroit, MI 48243-1895.

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
David O. Thoen, FSA, MAAA, Deloitte and Touche LLP, 400 One Financial Plaza, 120 S. Sixth Street, Minneapolis, MN 55402-1844.

11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

11.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?  
Not applicable.

11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]

11.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]

11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

BOARD OF DIRECTORS

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? ..... Yes [ X ] No [ ]

13. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? ..... Yes [ X ] No [ ]

14. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or likely to conflict with the official duties of such person?. Yes [ X ] No [ ]

FINANCIAL

15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
15.11 To directors or other officers .. \$.....  
15.12 To stockholders not officers ... \$.....  
15.13 Trustees, supreme or grand (Fraternal only) ..... \$.....

15.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):  
15.21 To directors or other officers ... \$.....  
15.22 To stockholders not officers .... \$.....  
15.23 Trustees, supreme or grand (Fraternal only) ..... \$.....

16.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? ..... Yes [ ] No [ X ]

16.2 If yes, state the amount thereof at December 31 of the current year:  
16.21 Rented from others ..... \$.....  
16.22 Borrowed from others ..... \$.....  
16.23 Leased from others ..... \$.....  
16.24 Other ..... \$.....

Disclose in Notes to Financial the nature of each obligation.

17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? ..... Yes [ ] No [ X ]

17.2 If answer is yes,  
17.21 Amount paid as losses or risk adjustment ..... \$.....  
17.22 Amount paid as expenses ..... \$.....  
17.23 Other amounts paid ..... \$.....

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES  
(continued)  
INVESTMENT

18. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price if Callable	5 Is Dividend Rate Limited?		6 Are Dividends Cumulative?	
					Yes	No	Yes	No
Preferred					[ ]	[ ]	[ ]	[ ]
Common				XXX	XXX	XXX	XXX	XXX

19.1. Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? ..... Yes [ X ] No [ ]

19.2 If no, give full and complete information relating thereto:

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1) ..... Yes [ ] No [ X ]

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21

Loaned to others .....

\$.....

20.22

Subject to repurchase agreements .....

\$.....

20.23

Subject to reverse repurchase agreements .....

\$.....

20.24

Subject to dollar repurchase agreements .....

\$.....

20.25

Subject to reverse dollar repurchase agreements .....

\$.....

20.26

Pledged as collateral .....

\$.....

20.27

Placed under option agreements .....

\$.....

20.28

Letter stock or other securities restricted as to sale ...

\$.....

20.29

Other .....

\$.....

20.3 For each category above, if any of these assets are held by other, identify by whom held:

20.31 .....

20.35 .....

20.32 .....

20.36 .....

20.33 .....

20.37 .....

20.34 .....

20.38 .....

20.39 .....

For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

20.4 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes [ ] No [ X ]

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ] NA [ X ]  
If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? ..... Yes [ ] No [ X ]

22.2 If yes, state the amount thereof at December 31 of the current year. .... \$.....

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES  
(continued)

INVESTMENT

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 – General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? .....

Yes [ X ] No [   ]
- 23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
Comerica Bank, NA.....	Detroit, Michigan.....
The Northern Trust Company.....	Chicago, Illinois.....

- 23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
.....	.....	.....
.....	.....	.....

- 23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? .....

Yes [   ] No [ X ]
- 23.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....	.....	.....	.....

- 23.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>2</div> <div>Address</div>
70923.....	Mary Ann Logsdon.....	Chicago, Illinois.....
.....	Brian Gamble.....	Detroit, Michigan.....
7691.....	Susan Renaud.....	Detroit, Michigan.....
110441.....	Sandy Goodman.....	Pasadena, California.....
126292.....	Joe Gasky.....	Charlotte, North Carolina.....
107247.....	Joe Wich.....	Detroit, Michigan.....

- 24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?.....

Yes [ X ] No [   ]
- 24.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
24.2001. 68231N-74-3	MFO 1 Group BD CL I	91,577,417
24.2002. 502081-77-1	MFO LM Instl FD Advisors I Inc Westnast	25,822,754
24.2003.	Goldman Sachs FS Treas Instr Ser F	13,000,000
9999999. TOTAL		130,400,171

- 24.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
MFO 1 Group BD CL I.....	U.S...Government.....	67,584,134 .....	12/31/2003.....
MFO LM Instl FD Advisors I Inc Westnast.....	U.S...Government.....	10,347,178 .....	12/31/2003.....
Goldman Sachs FS Treas Instr Ser F.....	U.S...Government.....	8,346,000 .....	12/31/2003.....

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES  
(continued)

OTHER

- 25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?.....\$ .....998,315
- 25.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
American Association of Health Plans.....	249,212
Office of Financial and Insurance Services.....	235,779

- 26.1 Amount of payments for legal expenses, if any?.....\$ .....488,567
- 26.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	

- 27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$ .....
- 27.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES  
(continued)

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ X ] No [ ]

1.2

If yes, indicate premium earned on U. S. business only

\$ 82,948,757

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

Not applicable.

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ 73,094,972

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 10,206,080

1.62

Total incurred claims

\$ 8,935,795

1.63

Number of covered lives

\$ 2,762

All years prior to most current three years:

1.64

Total premium earned

\$ 24,624,589

1.65

Total incurred claims

\$ 22,504,307

1.66

Number of covered lives

\$ 12,310

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ 200,923,079

1.72

Total incurred claims

\$ 175,888,788

1.73

Number of covered lives

\$ 54,360

All years prior to most current three years:

1.74

Total premium earned

\$ 258,893,032

1.75

Total incurred claims

\$ 235,049,328

1.76

Number of covered lives

\$ 149,124

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$ 1,362,620,115

\$ 1,290,985,128

2.2

Premium Denominator

\$ 1,362,620,115

\$ 1,290,985,128

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

\$ 83,634,477

\$ 86,058,929

2.5

Reserve Denominator

\$ 83,634,477

\$ 86,058,930

2.6

Reserve Ratio (2.4/2.5)

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [ ] No [ X ]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes [ X ] No [ ]

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [ X ] No [ ]

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [ ] No [ X ]

5.2

If no, explain:  
See attached.

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
See Attachment D.

7.1

Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [ X ] No [ ]

7.2

If no, give details:

8.

Provide the following Information regarding participating providers:

8.1

Number of providers at start of reporting year

6,408

8.2

Number of providers at end of reporting year

6,939

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [ ] No [ X ]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

9.22

Business with rate guarantees over 36 months

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

GENERAL INTERROGATORIES  
(continued)

PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold and Bonus/ Arrangements in its provider contract? .....

Yes [ X ] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses .....

\$ .....

10.22 Amount actually paid for year bonuses .....

\$ .....

10.23 Maximum amount payable withholds .....

\$ .....12,309,876

10.24 Amount actually paid for year withholds .....

\$ .....3,461,923

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, .....

Yes [ ] No [ ]

11.13 An Individual Practice Association (IPA), or, .....

Yes [ X ] No [ ]

11.14 A Mixed Model (combination of above) ?.....

Yes [ ] No [ ]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? .....

Yes [ X ] No [ ]

11.3 If yes, show the name of the state requiring such net worth. ....

Michigan

11.4 If yes, show the amount required. ....

\$ .....54,504,805

11.5 Is this amount included as part of a contingency reserve in stockholders equity? .....

Yes [ ] No [ X ]

11.6 If the amount is calculated, show the calculation.

The amount calculated is 4% of subscription revenue.

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Genessee County.....
Lapeer County.....
Livingston County.....
Macomb County.....
Monroe County.....
Oakland County.....
Saginaw County.....
Sanilac County.....
Shiawassee County.....
St. Clair County.....
Washtenaw County.....
Wayne County.....

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

FIVE-YEAR HISTORICAL DATA

	1 2003	2 2002	3 2001	4 2000	5 1999
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	330,340,120	352,053,748	330,904,396	310,470,064	263,692,904
2. Total liabilities (Page 3, Line 22) .....	137,520,379	171,739,439	153,072,159	114,638,307	103,904,174
3. Statutory surplus .....	1,000,000	1,350,000	1,350,000	850,000	850,000
4. Total capital and surplus (Page 3, Line 30) .....	192,819,741	180,314,309	177,832,237	195,831,757	159,788,730
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 8) .....	1,362,620,115	1,290,985,128	1,133,463,303	1,060,291,685	981,671,659
6. Total medical and hospital expenses (Line 18) .....	1,228,269,590	1,169,485,054	1,038,010,305	939,577,486	887,204,901
7. Total administrative expenses (Line 21) .....	99,198,596	95,865,819	70,288,095	82,965,410	75,360,607
8. Net underwriting gain (loss) (Line 24) .....	21,728,956	14,335,236	13,402,120	20,344,915	14,881,678
9. Net investment gain (loss) (Line 27) .....	8,980,415	12,336,747	12,766,899	17,403,874	4,224,473
10. Total other income (Lines 28 plus 29) .....	159,132	(2,239)	(4,635)	.0	.0
11. Net income (loss) (Line 32) .....	30,868,503	26,669,744	26,164,384	37,748,789	19,106,151
<b>RISK - BASED CAPITAL ANALYSIS</b>					
12. Total adjusted capital.....	192,819,741	180,314,309	177,832,237	196,726,629	159,788,730
13. Authorized control level risk-based capital.....	37,080,302	35,139,964	30,062,900	23,561,959	26,657,719
<b>ENROLLMENT (Exhibit 2)</b>					
14. Total members at end of period (Column 5, Line 7) .....	471,150	485,154	462,085	448,328	468,027
15. Total member months (Column 6, Line 7) .....	5,667,942	5,929,370	5,438,922	5,528,100	5,787,148
<b>OPERATING PERCENTAGE (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3 and 5)</b>					
16. Premiums earned (Lines 2 plus 3) .....	100.0	100.0	100.0	100.0	100.0
17. Total hospital and medical (Line 18) .....	90.1	90.6	91.6	90.8	90.8
18. Total underwriting deductions (Line 23) .....	98.4	98.9	98.8	98.8	98.5
19. Total underwriting gain (loss) (Line 24) .....	1.6	1.1	1.2	2.0	1.5
<b>UNPAID CLAIMS ANALYSIS</b> <b>(U&amp;I Exhibit, Part 2B)</b>					
20. Total claims incurred for prior years (Line 12, Col. 5) .....	71,195,582	64,435,206	69,259,579	56,810,721	68,496,292
21. Estimated liability of unpaid claims – [prior year (Line 12, Col. 6)] .....	86,058,929	67,555,292	70,963,205	60,740,828	72,541,284
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....	.0	.0	.0	.0	.0
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....	.0	.0	.0	.0	.0
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) .....	30,407,247	17,381,567	6,845,457	(1,050,379)	(1,017,627)
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) .....	.0	.0	.0	.0	.0
26. Affiliated mortgage loans on real estate .....		.0	.0	.0	.0
27. All other affiliated .....		.0	.0	.0	.0
28. Total of above Lines 22 to 27 .....	30,407,247	17,381,567	6,845,457	(1,050,379)	(1,017,627)

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
<b>BONDS</b> Governments (Including all obligations guaranteed by governments)	1. United States .....	0	0	0	0
	2. Canada .....	0	0	0	0
	3. Other Countries .....	0	0	0	0
	4. Totals .....	0	0	0	0
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	0	0	0	0
	6. Canada .....	0	0	0	0
	7. Other Countries .....	0	0	0	0
	8. Totals .....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....	0	0	0	0
	10. Canada .....	0	0	0	0
	11. Other Countries .....	0	0	0	0
	12. Totals .....	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	0	0	0	0
	14. Canada .....	0	0	0	0
	15. Other Countries .....	0	0	0	0
	16. Totals .....	0	0	0	0
Public Utilities (unaffiliated)	17. United States .....	0	0	0	0
	18. Canada .....	0	0	0	0
	19. Other Countries .....	0	0	0	0
	20. Totals .....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	4,912,197	4,912,197	4,655,503	4,655,503
	22. Canada .....	0	0	0	0
	23. Other Countries .....	0	0	0	0
	24. Totals .....	4,912,197	4,912,197	4,655,503	4,655,503
Parent, Subsidiaries and Affiliates	25. Totals .....	0	0	0	0
	26. <b>Total Bonds</b> .....	4,912,197	4,912,197	4,655,503	4,655,503
<b>PREFERRED STOCKS</b> Public Utilities (unaffiliated)	27. United States .....	0	0	0	
	28. Canada .....	0	0	0	
	29. Other Countries .....	0	0	0	
	30. Totals .....	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....	0	0	0	
	32. Canada .....	0	0	0	
	33. Other Countries .....	0	0	0	
	34. Totals .....	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States .....	0	0	0	
	36. Canada .....	0	0	0	
	37. Other Countries .....	0	0	0	
	38. Totals .....	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals .....	0	0	0	
	40. <b>Total Preferred Stocks</b> .....	0	0	0	
<b>COMMON STOCKS</b> Public Utilities (unaffiliated)	41. United States .....	0	0	0	
	42. Canada .....	0	0	0	
	43. Other Countries .....	0	0	0	
	44. Totals .....	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....	0	0	0	
	46. Canada .....	0	0	0	
	47. Other Countries .....	0	0	0	
	48. Totals .....	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States .....	130,400,171	130,400,171	126,053,483	
	50. Canada .....	0	0	0	
	51. Other Countries .....	0	0	0	
	52. Totals .....	130,400,171	130,400,171	126,053,483	
Parent, Subsidiaries and Affiliates	53. Totals .....	30,407,247	30,407,247	34,943,323	
	54. <b>Total Common Stocks</b> .....	160,807,418	160,807,418	160,996,806	
	55. <b>Total Stocks</b> .....	160,807,418	160,807,418	160,996,806	
	56. <b>Total Bonds and Stocks</b> .....	165,719,615	165,719,615	165,652,309	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ .....

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year .....	130,357,631	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3 .....	182,194,898	6.1 Column 17, Part 1 .....	0
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Sec. 1 .....	0
3.1 Column 16, Part 1 .....	0	6.3 Column 11, Part 2, Sec. 2 .....	0
3.2 Column 12, Part 2, Sec. 1 .....	0	6.4 Column 11, Part 4 .....	0
3.3 Column 10, Part 2, Sec. 2 .....	12,360,653	7. Book/adjusted carrying value at end of current period .....	165,719,615
3.4 Column 10, Part 4 .....	(1,266,908)	8. Total valuation allowance .....	
4. Total gain (loss), Col. 14, Part 4 .....	2,583,241	9. Subtotal (Lines 7 plus 8) .....	165,719,615
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 .....	160,509,900	10. Total nonadmitted amounts .....	4,912,197
		11. Statement value of bonds and stocks, current period .....	160,807,418

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE  
Health Alliance Plan of Michigan

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
States, Etc.	1  Guaranty Fund (Yes or No)	2  Is Insurer Licensed? (Yes or No)	Direct Business Only					
			3  Premiums	4  Medicare Title XVIII	5  Medicaid Title XIX	6  Federal Employees Health Benefits Program Premiums	7  Life & Annuity Premiums & Deposit Type Contract Funds	8  Property/ Casualty Premiums
1. Alabama	AL	No						
2. Alaska	AK	No						
3. Arizona	AZ	No						
4. Arkansas	AR	No						
5. California	CA	No						
6. Colorado	CO	No						
7. Connecticut	CT	No						
8. Delaware	DE	No						
9. District of Columbia	DC	No						
10. Florida	FL	No						
11. Georgia	GA	No						
12. Hawaii	HI	No						
13. Idaho	ID	No						
14. Illinois	IL	No						
15. Indiana	IN	No						
16. Iowa	IA	No						
17. Kansas	KS	No						
18. Kentucky	KY	No						
19. Louisiana	LA	No						
20. Maine	ME	No						
21. Maryland	MD	No						
22. Massachusetts	MA	No						
23. Michigan	MI	Yes	1,165,586,495	130,664,475		66,369,145		
24. Minnesota	MN	No						
25. Mississippi	MS	No						
26. Missouri	MO	No						
27. Montana	MT	No						
28. Nebraska	NE	No						
29. Nevada	NV	No						
30. New Hampshire	NH	No						
31. New Jersey	NJ	No						
32. New Mexico	NM	No						
33. New York	NY	No						
34. North Carolina	NC	No						
35. North Dakota	ND	No						
36. Ohio	OH	No						
37. Oklahoma	OK	No						
38. Oregon	OR	No						
39. Pennsylvania	PA	No						
40. Rhode Island	RI	No						
41. South Carolina	SC	No						
42. South Dakota	SD	No						
43. Tennessee	TN	No						
44. Texas	TX	No						
45. Utah	UT	No						
46. Vermont	VT	No						
47. Virginia	VA	No						
48. Washington	WA	No						
49. West Virginia	WV	No						
50. Wisconsin	WI	No						
51. Wyoming	WY	No						
52. American Samoa	AS	No						
53. Guam	GU	No						
54. Puerto Rico	PR	No						
55. U.S. Virgin Islands	VI	No						
56. Canada	CN	No						
57. Aggregate other alien	OT	XXX	0	0	0	0	0	0
58. Total (Direct Business)	XXX	(a) 1	1,165,586,495	130,664,475	0	66,369,145	0	0
DETAILS OF WRITE-INS								
5701.								
5702.								
5703.								
5798. Summary of remaining write-ins for Line 57 from overflow page			0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)			0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.: Premiums are allocated based upon the state in which the member resides.

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY  
GROUP**

**PART 1 - ORGANIZATIONAL CHART**